

PRE-EXISTING CONTRACTS AND OBLIGATIONS:

TREATMENT OF LOAD GROWTH

Background

The RTO Congestion Management Workgroup has agreed to the following duties relative to the conversion of pre-existing contracts (PECs) and load service obligations (LSOs):

- a) Prior to the RTO Operations Date, each PTO (Participating Transmission Owner) shall make good faith efforts to negotiate with PEC and/or LSO rights-holders to convert the transmission service associated with each PEC and LSO to RTO Transmission Service.
- b) Each PTO shall first attempt to convert the transmission service under the PEC to RTO Transmission Service, while preserving the balance of benefits and burdens of the parties to the PEC.
- c) If it is not possible to reach mutual agreement on the conversion of the transmission service under the PEC to RTO Transmission Service, the PTO shall attempt to negotiate appropriate modifications to the operating procedures under the PEC to maximize consistency with RTO WEST operating procedures, deadlines and other protocols, while preserving the balance of benefits and burdens of the parties to the PEC.

The workgroup further agreed with the following as one of the rules for conversion of PECs and LSOs:

PECs and LSOs will be reevaluated each year prior to the annual FTR auction due to:

- a) Changes in transmission system topology (changes in FDFs used to determine FTRs)
- b) The development of new commercial flow paths.
- c) This analysis will include known changes and measurable changes in explicit contract demands.

With regard to the annual reevaluation, the issue that has arisen is stated as follows:

Will unencumbered FTRs required by annual load growth up to the existing TTC be allocated to the PEC or LSO rights holder prior to the annual auction?

Two alternatives have been proposed and discussed:

Alternative 1: If unencumbered FTRs exist on a flowpath, these will be assigned up to existing TTC on the flowpath annual load growth of PEC (where PEC rights provide for load growth) or LSO rights holders prior to each year's annual auction.

Alternative 2: Rights holders for PECs and LSOs must buy FTRs for load growth in the RTO auction.

Aleka Scott has provided the attached supporting statement for Alternative 1. Dave Gilman and Marv Landauer have provided the supporting statement for Alternative 2.

The RRG has identified two objectives relevant to this issue:

- 1) Minimize cost shifts
- 2) Retain approximately equal value overall in the translation of rights

Thus there is a linkage to other Pre-existing Contracts and Obligations issues that can affect overall value, specifically:

- 1) Duration of rights/roll-over
- 2) Feasible dispatch options
- 3) Rules for over allocation.

This linkage presents the RRG with the option of considering one or more of the above as a set when reaching consensus.

ATTACHMENTS

Load Growth, Alternative 1

If unencumbered FTRs exist on a flowpath, these will be assigned up to existing TTC on the flowpath annual load growth of PEC (where PEC rights provide for load growth) or LSO rights holders prior to each year's annual auction.

Argument in Favor

Currently, BPA's Network tariff, section 27.3, Bonneville Duties, provides as follows:

Bonneville shall plan, construct, operate, and maintain its Integrated Network Transmission System in accordance with Good Utility Practice in order to provide the Transmission Customer with Network Integration Service over Bonneville's Integrated Network Transmission System in accordance with this Tariff. Bonneville shall include the Transmission Customer's Network Load in its Integrated Network Transmission System planning and shall, consistent with Good Utility Practice, endeavor to construct and place into service sufficient transmission capacity to deliver the Transmission

Customer's Network Resources to serve Network Load on a basis comparable to Bonneville's delivery of its own generating and purchased resources.

The Transmission Customer is responsible to provide annual updates of Network Load and Resources. However, no where in the tariff (that I could find) does the responsibility to construct new transmission system for existing (including load growth but excluding new Member Systems or New Network Resources) fall back to the Transmission Customer. It is explicit that the existing and upgraded capacity of the transmission system is to be used to deliver Network Resources to Network Load. Further, BPA's transmission customers pay the full cost of the Integrated Network and thus have a claim to the capacity as it exists today. Under the company rate approach, PTOs replace and improve the system (for reliability) and costs continue to be borne by the company rate. Payers of that company rate are entitled to use of the system for which they are paying for load growth up to the unencumbered capacity of the system.

This also makes the case for changing transfer payments. To the extent that a PEC or LSO uses another PTO's system, if the transfer payment can change to reflect increased use of the system under the PEC or LSO for load growth, such use should be allowed.

In short, load growth up to TTC should be allowed for two reasons:

- 1) Company rate payers pay for the system and are entitled to the full unencumbered use of the system for which they have paid for load growth.
- 2) Current BPA NT rights provide for load growth up to and beyond TTC, including construction on a basis comparable to BPA's own use of the system (rolled-in).

Alternative 2

Rights holders for PECs and LSOs must buy FTRs for load growth in the RTO auction.

PROS:

- Equity – These users should have to go to the auction for future needs the same as other users of the system.
- Treating all users the same will ensure that expansion of flowgate capacity is at market cost.

CONS:

- Load may have to pay congestion costs in addition to the company rate.

LINKAGE:

To Pricing – If more FTRs are allocated to load this will reduce the amount of unencumbered FTRs available for auction, which will reduce the revenue available to replace lost revenue (short term payments from non-RTO participants) and offset short term transfer payment. See pricing proposal.

To Planning – Meeting requirements of PECs and LSOs.